HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Saint John, Moncton CMAs and Fredericton CA

Canada Mortgage and Housing Corporation

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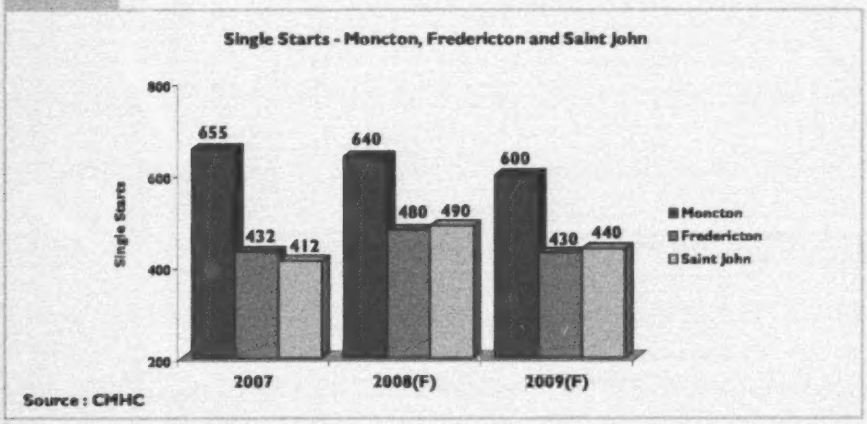
New Brunswick Economy to Face Short-term Challenges, Positive Long-term Prospects

The New Brunswick economy has been marked by limited growth in 2008. Traditionally, the province has relied heavily on natural resources, and particularly the forestry sector, for economic development. The higher cost of New Brunswick products, due in part to higher energy prices, has led to softening demand for paper and other forest products, a former mainstay of the New Brunswick economy. Manufacturing in other sectors, as well as the transportation industry, have equally been subject to unfavorable conditions. However, the recent lower dollar will help offset some of the issues that the higher dollar created for manufacturing in the province.

Figure 1



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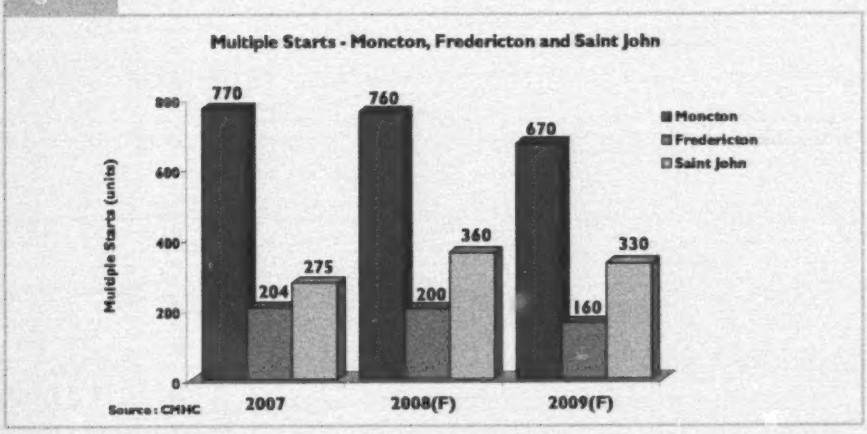
Despite these challenges, the long-term outlook for the province is positive. Capital investment has helped bolster the economy by offsetting the restraining effect of reduced exports. Multi-billion dollar projects, such as the expansion of the PotashCorp mining operation in Sussex and the refurbishment of the region's only nuclear power generation station in the Saint John area, have sparked economic activity in Southern New Brunswick. Although the economic impact of current projects is significant, future projects planned for the region stand to make an even greater impact if approved. These include the construction of a new oil refinery and a second nuclear generation station in the Saint John area. Due to the number of skilled workers needed to complete projects of this magnitude, a positive announcement on one or both proposed projects would generate significant economic spin-offs throughout the province, bolstering in-migration and providing an overall boost to the New Brunswick economy.

The New Brunswick housing market posted strong results during the first three quarters of 2008 and it is expected to remain strong in historical terms in the fourth quarter. Despite softer economic growth in 2008, there was positive net-migration in both Moncton and Fredericton, as each centre benefited from solid service, retail and construction sectors. In-migration to Saint John will remain muted for the remainder of this year as a formal announcement on the refinery project is not expected until 2009, minimizing any impact on the housing market in 2008. Plans for the second nuclear reactor at Point Lepreau are in the early stages and will have minimal effect on the housing market over the forecast period. As a result of migration to Western Canada, a smaller labour force in some specific trades continued to challenge the local construction industry, a strong contributor to New Brunswick's robust employment numbers.

Expect limited GDP growth in New Brunswick in both 2008 and 2009. Although the residential housing market will remain strong in historical terms, provincial housing starts are expected to decline to 4,200 units in 2008, with a further drop to 3,625 units in 2009.

Figure 2



Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Residential Construction to Remain Strong in Historical Terms

Of the Province's three major urban centres, year-over-year growth in new construction has been strongest in Saint John. To the end of the third quarter, total residential starts in the area exceeded last year's pace by over 30 per cent, with both single and multiple starts benefiting from increased activity. Speculation has been a driving force as economic development has blossomed in the port city in anticipation of the large scale expansion of the region's energy sector. Despite fuelling activity in the local housing market, projects currently being considered for future development still face some uncertainty due to the enormous amount of resources necessary for

completion. Meanwhile, current projects, such as the $1.4 billion refurbishment of the existing nuclear reactor at Point Lepreau, and the $1.7 billion expansion of the PotashCorp mining operation in Sussex, have helped foster increased economic activity. Consequently, housing demand over the forecast period is expected to remain strong in historical terms. For 2008, expect both single and multiple starts to exceed last year's total with 490 and 360 units respectively. Expect a moderate decline in single starts to 440 units in 2009 while multiple starts will drop to 330 units.

Residential housing starts in Greater Moncton have remained high in historical terms in 2008 despite a decline in both single and multiple starts. The latter, in particular, have been bolstered by increased semi-detached starts, the starter home of choice in Greater Moncton. Economic development and strong employment in the area continued to fuel in-migration in 2008. Expect semi-detached starts to surpass last year's record setting total, though this will be combined with fewer apartment starts. Nevertheless, multiple starts will remain at historically high levels with 760 units in 2008, followed by a subsequent drop to 670 units in 2009. And, although single starts will remain strong in historical terms, expect them to decline to 640 units this year, with a further drop to 600 in 2009.

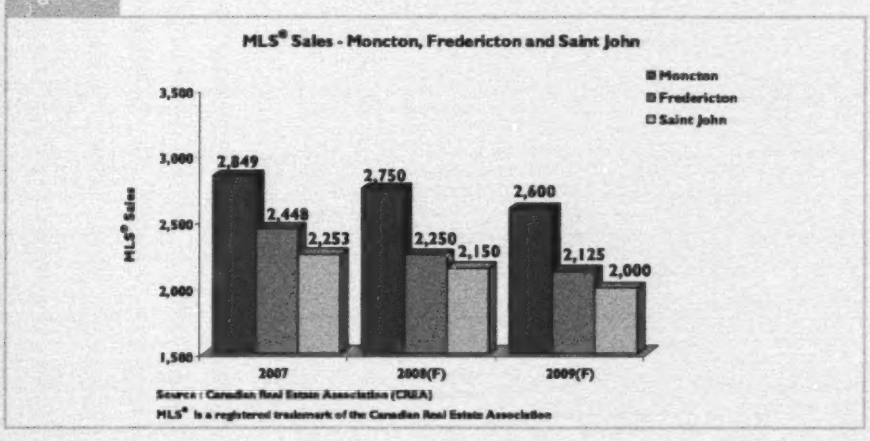
After rebounding last year, single starts in Fredericton maintained a positive trend this year to the end of September. The local economy, bolstered by strong service and retail sectors, continues to foster job creation, helping to fuel in-migration and, subsequently, housing demand. As a result, expect single starts to remain strong with 480 starts anticipated in 2008, followed by a modest drop to 430 units in 2009. As for multiple starts, they were down during the first three quarters of 2008. Following reduced activity in 2007, expect a continued mild decrease in multiple starts to 200 units in 2008, to be followed by a small decline to 160 units in 2009.

Resale Market Resilient in Large Urban Centres

After a strong start in 2008, MLS® sales in Greater Moncton have been stable with a minimal year-to-date decline of only 1.8 per cent to the end of the third quarter. Although sales have not faltered, a record number of new listings have provided ample selection for potential home buyers. Consequently, slower price growth has limited the year-over-year increase during the first nine months of the year to less than three per cent. With the current level of economic uncertainty, home buyers are expected to become increasingly conservative in both 2008 and 2009. Expect sales to decline to 2,750 units in 2008, with a subsequent drop to 2,600 units in 2009. However, the average sale price is expected to maintain an upward trend, rising to $147,000 in 2008, followed by a further increase to $151,500 in 2009.

Existing home sales in Saint John have also maintained a positive trend in 2008. However, the year-over-year increase has been minimal, remaining under one per cent to the end of the third quarter. In contrast, the average sale price has experienced a significant increase through the first nine months of the year. As a result, Saint John has the distinction of having the highest average MLS® price in the province. Enthusiasm regarding current and upcoming energy projects has contributed to the strong performance of the local resale market in 2008. The full impact will not be felt, though, until pending announcements, expected in 2009, become reality. Expect the resale market to remain strong in historical terms with 2,150 and 2,000 sales in 2008 and 2009, respectively. Furthermore, the average sale price is expected to rise to $157,000 in 2008, with a subsequent increase to $163,000 in 2009.

Figure 3



In the Fredericton area, existing home sales have been below last year's pace for the first three quarters of the year. As of the end of the third quarter, MLS® sales in Fredericton had declined by approximately 8.4 per cent compared to the same period last year. This was the largest decline among New Brunswick's three large urban centres. Meanwhile, year-over-year price growth was 7.6 per cent. Despite signs of economic uncertainty, the diversified nature of the Fredericton economy continues to support strong employment numbers and should provide some stability over the forecast period. For 2008 and 2009, expect unit sales to reach 2,250 and 2,125 units respectively, with the average sale price climbing to $151,500 in 2008, and $158,000 in 2009.

Vacancy Rates to Decline in Some Provincial Centres

Last year, the vacancy rate in Saint John and Moncton declined by 1.6 and 1.3 percentage points respectively. Meanwhile, in Fredericton, the local vacancy rate rose to 6.5 per cent last year -the highest vacancy rate among the province's three major urban areas.

With the rapid development of the energy sector, increased in-migration will apply downward pressure on the vacancy rate in Saint John. Expect the vacancy rate to decline to 4.8 per cent in 2008 and to 4.5 per cent in 2009. Following a large increase last year due to an increase in supply, the vacancy rate in Fredericton will decrease to 6.0 per cent in 2008, followed by another moderate decline to 5.5 per cent in 2009. In historical terms, a relatively large number of apartment starts were recorded in Greater Moncton in the last two years. As a result, an increase in the vacancy rate is anticipated in 2008, up to 4.8 per cent from last year's 4.3 per cent. This will be followed by a subsequent increase to 5.0 per cent in 2009. In all three of the province's three major urban areas, expect the average rent increase for a two-bedroom unit to be between two and three percent in both 2008 and 2009.

Forecast Summary
Saint John CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	1,901	1,852	2,253	2,150	-4.6	2,000	-7.0
MLS® New Listings	3,225	3,357	3,391	3,350	-1.2	3,240	-3.3
MLS® Average Price ($)	119,718	128,202	140,544	157,000	11.7	163,000	3.8
New Home Market							
Starts:							
Single-Detached	403	363	412	490	18.9	440	-10.2
Multiples	98	202	275	360	30.9	330	-8.3
Starts - Total	501	565	687	850	23.7	770	-9.4
Average Price ($):							
Single-Detached	198,526	215,666	231,880	226,500	-2.3	234,500	3.5
Median Price ($):							
Single-Detached	180,000	190,404	225,000	196,100	-12.8	201,000	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	5.7	6.8	5.2	4.8	-0.4	4.5	-0.3
Two-bedroom Average Rent (October) ($)	526	556	570	590	-	610	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	61,900	61,900	66,000	62,300	-5.6	63,100	1.3
Employment Growth (%)	0.8	0.0	6.6	0.6	6.0	1.3	0.7
Unemployment rate (%)	7.1	6.1	4.9	6.0	-	5.8	-
Net Migration (N.B.) [1]	-1,922	-2,276	2,592	2,075	-19.9	1,400	-32.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

Forecast Summary Moncton CMA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,341	2,561	2,849	2,750	-3.5	2,600	-5.5
MLS® New Listings	3,756	4,416	4,464	4,350	-2.6	4,200	-3.4
MLS® Average Price ($)	124,088	128,547	140,032	147,000	5.0	151,500	3.1
New Home Market							
Starts:							
Single-Detached	612	593	655	640	-2.3	600	-6.3
Multiples	579	823	770	760	-1.3	670	-11.8
Starts - Total	1,191	1,416	1,425	1,400	-1.8	1,270	-9.3
Average Price ($):							
Single-Detached	168,883	191,220	208,653	205,000	-1.8	215,000	4.9
Median Price ($):							
Single-Detached	159,900	179,900	199,900	185,300	-7.3	189,900	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.7	5.6	4.3	4.8	0.5	5.0	0.2
Two-bedroom Average Rent (October) ($)	612	636	643	660	-	675	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	69,100	69,200	69,500	69,500	0.0	70,250	1.1
Employment Growth (%)	1.3	0.1	0.4	0.7	-0.3	1.1	0.4
Unemployment rate (%)	6.4	6.1	4.8	6.2	-	6.0	-
Net Migration (N.B.) (1)	-2,009	-2,899	968	2,075	114.4	1,400	-32.5

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Forecast Summary Fredericton CA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,082	2,120	2,448	2,250	-8.1	2,125	-5.6
MLS® New Listings	4,038	4,577	4,547	4,350	-4.3	4,225	-2.9
MLS® Average Price ($)	130,502	138,094	141,117	151,500	7.4	158,000	4.3
New Home Market							
Starts:							
Single-Detached	402	387	432	480	11.1	430	-10.4
Multiples	390	323	204	200	-2.0	160	-20.0
Starts - Total	792	710	636	680	6.9	590	-13.2
Average Price ($):							
Single-Detached	205,000	211,914	207,781	218,500	5.2	225,000	3.0
Median Price ($):							
Single-Detached	195,000	205,000	199,000	211,150	6.1	216,400	2.5
New Housing Price Index (% chg) (Saint John-Moncton-Fredericton)	4.0	3.3	0.9	2.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.0	4.8	6.5	6.0	-0.5	5.5	-0.5
Two-bedroom Average Rent (October) ($)	675	693	701	725	-	740	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	46,425	46,675	49,850	46,900	-5.9	47,250	0.7
Employment Growth (%)	0.1	0.5	6.8	0.5	6.3	0.7	0.2
Unemployment rate (%)	6.9	6.2	4.8	6.1	-	6.0	-
Net Migration (N.B.) [1]	-2,009	-2,899	968	2,075	114.4	1,400	-32.5

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